



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

October 2, 2002

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The Honorable Ernest F. Hollings
United States Senate
Washington, DC 20510

Dear Senator Hollings:

Thank you for your letter of August 6, 2002, asking that I attest to the Securities and Exchange Commission as to the accuracy and completeness of the government's most recent financial reports, including the Mid-Session Review.

The challenge expressed in your suggestion is entirely appropriate, and I sincerely wish I could make such a statement. But, as you know, I cannot honestly do so, because the situation inherited by this administration with respect to the federal government's financial accounts is one that would never be tolerated in the private sector.

On arrival, this administration found that 6 of the 24 major agencies were unable to achieve clean audits. In fact, the government as a whole has never received a clean opinion in the five years that the General Accounting Office (GAO) has formally attempted to audit its records. Again, in FY 2001, the GAO could not express an opinion on the government's financial statements because of material weaknesses in internal control and accounting and reporting issues.

Finding this situation unacceptable, President Bush chose improved financial management as one of five fundamental management reforms for his administration, and aggressive cleanup action is underway. We have set an ambitious agenda and are holding agency officials accountable through the Executive Branch Management Scorecard process.

We are accelerating reporting dates, requiring agencies to clean up chronic, long-standing material weaknesses, and requiring a clean opinion as a pre-condition for an agency to "get to green" on the scorecard. Consequently, financial information will be available quarterly and earlier. By FY 2004, agencies will issue their audited financial statements 45 days after year end, down from 150 days after the close of the 2001 fiscal year. We are determined to have all agencies receive clean opinions as soon as possible, but repair of a system so badly broken will not happen overnight.

The President shares your keen interest in ensuring that the Federal Government's books are accurate and complete. I assure you that the Office of Management and Budget, the Department of the Treasury, and our Executive Branch partners are working aggressively toward that goal.

With Love